



ASX ANNOUNCEMENT

By e-lodgement

5 February 2021

Proposed acquisition of a 70% shareholding in European graphite producer

Highlights

- **Volt has entered into term sheets regarding the proposed acquisition of a 70% interest in the Zavalievsky Graphite business located in the Ukraine**
- **Zavalievsky is a long life graphite operation that has been in operation for 87 years**
- **Key features of the Zavalievsky Graphite business include:**
 - **Ongoing graphite product sales to existing customer base in Europe**
 - **Existing production of graphite products to supply traditional industrial markets including refractories, electrodes, lubricants, gaskets/seals, brake linings, etc.**
 - **Potential to become a producer of spherical graphite for Li-ion battery anode market in the near term**
 - **Other existing and potential positive cash flow generating mineral products from the graphite mine, including production of crushed granite for use in road construction and concrete as well as industrial grade garnet:**
 - **Excellent transport infrastructure with direct access to road and rail, nearby river transport and ocean freight through the main Ukraine port of Odessa**
 - **Low labour costs, grid power, ample potable water and good communications**
 - **Experienced technical, operations and marketing personnel**
- **The Zavalievsky Graphite business also has a 79% interest in 636 hectares of land upon which the mine, processing plant, other buildings and facilities are located**

- **Proposed total purchase price of US\$7.5 million agreed, payable in stages**
- **Exclusivity granted to enable Volt to complete due diligence and finalise the binding transaction documentation**

Graphite and gold explorer and developer **Volt Resources Limited (ASX: VRC)** (“**Volt**” or the “**Company**”) is pleased to advise it has entered into term sheets with private shareholders regarding the proposed acquisition of a 70% interest in the Zavalievsky group of companies (“**ZG Group**”). The graphite mine and processing facilities are located adjacent to the town of Zavallya, approximately 280 kilometres south of the Ukraine capital Kyiv and 230 kilometres north of the main port of Odessa.

Volt Chairman Asimwe Kabunga commented “We are excited by the potential benefits in acquiring a controlling interest in the ZG Group on Volt’s graphite strategy. This is a rare opportunity to acquire an existing graphite business located in Europe at a fraction of the development cost of a new project.

“It has the potential to make Volt a key participant in the supply of graphite into the growing European market with excellent access to other markets in the USA and Middle East.

“Volt’s board considers the Company’s ability to complete funding for the Bunyu Project will be enhanced by this potential acquisition to accelerate the transition to a graphite producer with a customer base, sales revenue and cashflow generation along with in-house operating and technical expertise to de-risk the Bunyu development.”

Advantages of the proposed transaction for Volt

The acquisition of a controlling 70% interest in the ZG Group would immediately transform Volt into one of the few ASX-listed graphite producers.

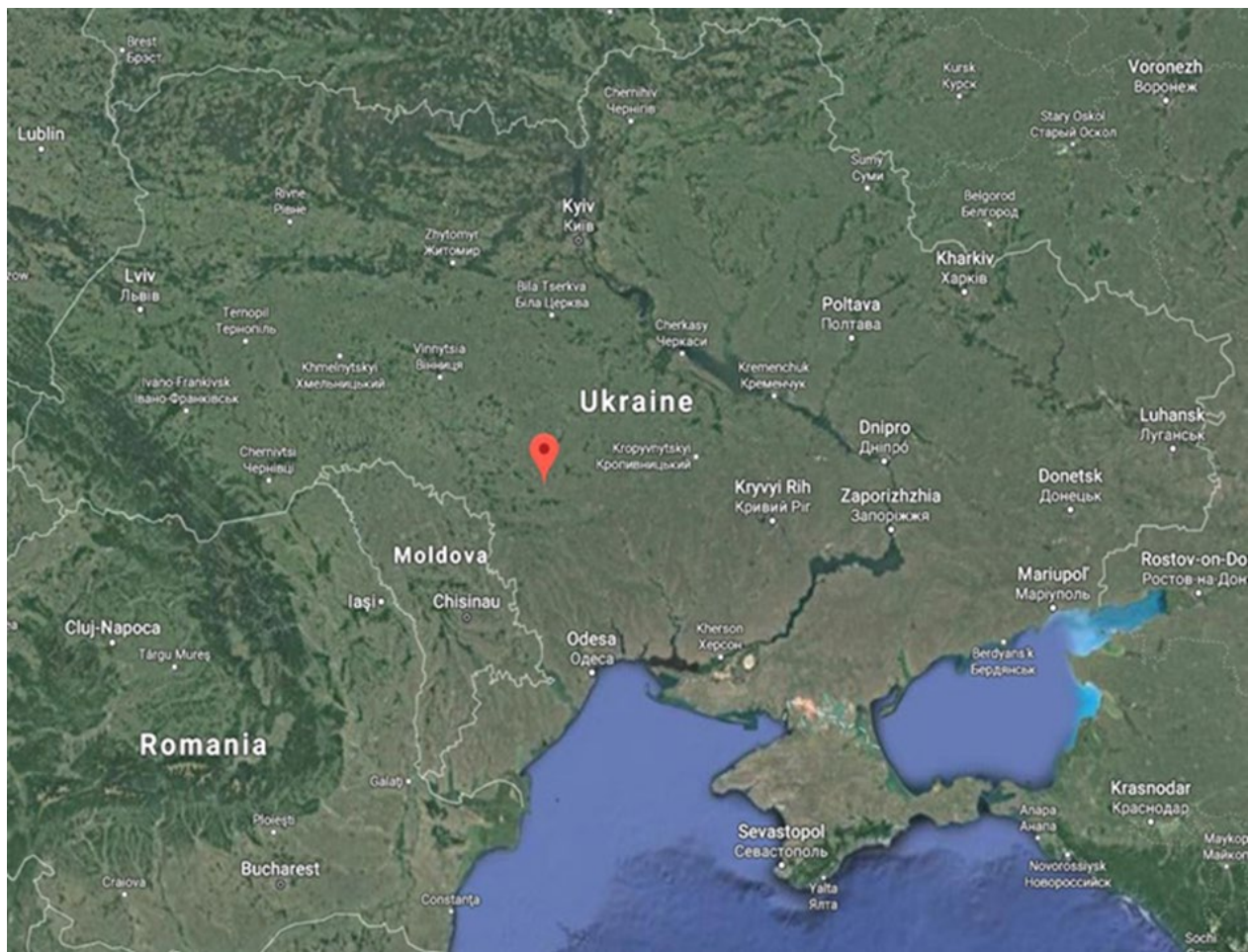
Importantly, the Zavalievsky Graphite business has the following significant advantages for Volt:

- Located in Eastern Europe, the Zavalievsky Graphite business is in close proximity to key markets with significant developments in Lithium-ion Battery (“**LIB**”) facilities planned to service the European based car makers and renewable energy sector.
- Makes graphite products across the range and has the potential to significantly increase its large flake production.
- Long life multi-decade producing mine that has further exploration upside.
- Existing customer base and graphite product supply chains which Volt expects to be able to leverage off in developing its existing Bunyu graphite project in Tanzania.
- Excellent transport infrastructure covering road, rail, river and sea freight combined with reliable grid power, ample potable ground water supply and good communications.
- An experienced workforce which can assist with training, commissioning and ramp-up for the Bunyu development. This is a key risk for financiers and could materially assist the ability to finance the Company’s Bunyu graphite project development.
- Potential to generate material cashflow which could make Volt internally funded for corporate costs and working capital into the future.

- Co-products of quarry stone for the domestic market and garnet for the European market that could generate material cash flow for relatively low capital and operating cost leveraging the synergies from the graphite business infrastructure and experienced mining and processing staff.
- A 79% interest in 636 hectares of freehold land, with the mine, processing plant and other buildings and facilities located on that land.

About the ZG Group

As indicated above, the Zavalievsky mine and associated processing facilities owned by the ZG Group are located adjacent to the town of Zavallya, approximately 280 kilometres south of the Ukraine capital Kyiv and 230 kilometres north of the main port of Odessa.



Zavalievsky Graphite location between the Ukraine capital Kyiv and largest sea port of Odessa

Ukraine's mineral wealth was a key contributor to the economy of the former Soviet Union but it has historically been underexploited in the post-soviet era. Located over several platforms and folded tectonic units, the country's geological structures have given it significant natural resources, including significant iron ore, coal, natural gas, oil, salt, sulphur, graphite, magnesium, kaolin and nickel deposits. Low construction and operating costs in the Ukraine is a key attraction for international resource companies, largely driven by excellent major infrastructure, including railway, power lines and ports, coupled with a highly-skilled, relatively low-cost labour pool.

The Ukraine co-operates with the European Union through the Eastern Partnership, which aims to foster political association and economic integration between the European Union and the Eastern Neighbourhood countries (Armenia, Azerbaijan, Belarus, Georgia, Moldova and Ukraine). The Ukrainian government also signed and ratified an Association Agreement with the European Union in 2014, and the Deep and Comprehensive Free Trade Agreement between Ukraine and the European Union entered into force on 1 January 2016. Ukraine's move away from Russian influence and towards European integration has attracted major miners like ArcelorMittal (NYSE:MT) and Glencore (LSE:GLEN) into the Ukraine. The Ukrainian government has stated that the door is open for foreign investment in the country's mining sector.

Whilst the project is an operating mine, the ZG Group's financial and geological information (including mineral resources) have been prepared in accordance with Ukrainian requirements. A key focus of Volt's due diligence will be to investigate any key differences between these existing requirements and Australian accounting and ASX reporting requirements. For example, the ZG Group's resources have been prepared and reported in accordance with the NAEN Code, being the Russian Code for the Public Reporting of Exploration Results, Mineral Resources and Mineral Reserves. As part of the due diligence process in relation to the proposed transaction, Volt intends to verify these resources in accordance with the requirements of the JORC Code.



In pit graphite mining operations



Zavalievsky Graphite crushing circuit



Final stage flotation cells

The ZG Group has current plans to install a processing plant and equipment in order to commence production of spheronised purified graphite (**SPG**) for the European Li-ion battery anode (**LIB**) market within the next 12 months. The Zavalievsky mine's strategic location for the future supply of SPG to the European markets has already attracted interest from LIB cell manufacturers and major car makers.

The Zavalievsky mine has significant granite and garnet mineralisation and currently produces approximately 250,000 tpa of crushed granite (blue metal) for road construction and concrete manufacturing for domestic markets. Volt believes that there is the potential to substantially increase the annual production of crushed granite through expansion of the crushing and screening equipment.



Crushed Granite Operations

Until recently, the Zavalievsky Graphite business has treated garnet as a waste material and disposed of it to the tailings storage facility. Garnet is an industrial mineral used in applications such as water filtration, abrasive blasting, water jet cutting, abrasive powders and other applications.

A garnet tailings recovery circuit has recently been constructed but is yet to be commissioned into operations. The construction of this recovery circuit provides the opportunity to develop a viable industrial garnet business, particularly considering the Zavalievsky mine's close proximity to European markets.

Further information regarding the ZG Group can be obtained from the company's website <https://zvgraphit.com.ua/>. A drone video of the mine and processing facilities and the local area and township of Zavallya can be viewed at <https://voltresources.com/zavaliievsky-graphite-acquisition/>.

Proposed Transaction

Volt has entered into term sheets in regards to the potential acquisition of a 70% interest in each of the companies comprising the ZG Group, namely:

- Zavalievsky Graphite LLC - processing plant buildings, processing plant, mining equipment, power sub-station and distribution
- Stone Found LLC – crushed granite operations and plant
- Graphite Invest LLC – holds a 70% interest in PJC Zavalievsky Graphite Kombinat – mine, land, main administration office building. It is this entity that holds a 79% interest in the 636 hectares of freehold land on which the Zavalievsky mine, processing plant and other related buildings and facilities are located.

The term sheets have been entered into with four existing shareholders of each of these companies, being Olezhe Heeson, Volodomyr and Tetyana Kolesnychenko, and Vitalii Liaschenko, all citizens in the Ukraine (**Vendors**).

Under the term sheets, the Vendors have agreed to sell 70% of the total issued equity in each ZG Group company to Volt for an aggregate purchase price of US\$7.5 million payable in two instalments of US\$3.75 million. The first instalment is due on completion of the transaction, with the second instalment due 6 months after the date that completion occurs.

The proposed transaction remains conditional upon:

- Volt being satisfied with the results of its legal, financial, tax, technical, and operational due diligence into the ZG Group and the Zavalievsky Graphite business. Volt management has already conducted preliminary due diligence enquiries, including conducting a site visit in December 2020 and meeting with Mykhaylo Kostiuk (the remaining 30% shareholder in each ZG Group company) (the **Remaining Shareholder**) as well as ZG Group senior management. Following execution of the term sheets, Volt will now conduct more detailed, confirmatory due diligence enquiries.
- all required governmental, regulatory and other necessary third party consents and approvals being obtained;
- no material adverse change in the ZG Group, its operations, or financial condition between the date of the term sheets and completion of any transaction;
- there being no pending or in effect law, order or legal proceeding challenging the proposed transaction or that may have the effect of prohibiting, delaying, making illegal, or otherwise interfering with the proposed transaction;
- entering into a binding share sale and purchase agreement with the Vendors and a satisfactory shareholders agreement with the Remaining Shareholder (together the **Definitive Agreements**).

The Company considers this transaction as a logical and value accretive step as it transitions from a graphite explorer and developer into a graphite producer. Volt intends to continue to progress the exploration and development of its wholly-owned Bunyu Graphite Project in Tanzania and its Guinea Gold Project in Guinea, West Africa.

Under the term sheets, each Vendor has granted Volt exclusivity until 23 April 2021 (or such later date as the parties may agree) to complete its due diligence enquiries and finalise the terms of the Definitive Agreements.

During this period, Volt intends to finalise its arrangements to fund the proposed US\$7.5 million purchase price for the acquisition of the 70% interest in the ZG Group, which may be equity, debt or a combination of the two.

Volt will continue to keep shareholders informed of all material developments in relation to this proposed transaction.

-ENDS-

This announcement was authorised for release by the Board of Volt Resources Ltd.

For further information please contact:

Trevor Matthews Managing Director Tel: +61 8 9486 7788



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About Volt Resources Limited

Volt Resources Limited ("Volt") is a graphite and gold exploration and development company listed on the Australian Stock Exchange under the ASX code VRC. Volt is currently focused on the exploration and development of its wholly-owned Bunyu Graphite Project in Tanzania, as well as the creation of a new gold exploration and development business through leveraging the Company's existing extensive networks in Africa.

The Bunyu Graphite Project is ideally located near to critical infrastructure with sealed roads running through the project area and ready access to the deep-water port of Mtwara 140km from the Project. In 2018, Volt reported the completion of the Feasibility Study ("FS") into the Stage 1 development of the Bunyu Graphite Project. The Stage 1 development is based on a mining and processing plant annual throughput rate of 400,000 tonnes of ore to produce on average 23,700tpa of graphite products¹. A key objective of the Stage 1 development is to establish infrastructure and market position in support of the development of the significantly larger Stage 2 expansion project at Bunyu.

The Guinea Gold Projects which comprise 6 permits in Guinea, West Africa having a total area of 348km. The projects are located in the prolific Siguiri Basin which forms part of the richly mineralised West African Birimian Gold Belt.

¹ Refer to Volt's ASX announcement titled "Positive Stage 1 Feasibility Study Bunyu Graphite Project" dated 31 July 2018. The Company confirms that it is not aware of any new information or data that materially affects the information included in this document and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not materially changed.